

LEVY INSTITUTE

*The Jerome Levy Economics Institute
To pursue knowledge of economics
that will enable nations to enlarge
personal freedom, promote justice,
and maintain stable economies with
full employment and rising standards
of living.*

1988-1989

THE JEROME LEVY ECONOMICS INSTITUTE of Bard College, founded in 1986, is an autonomous, independently endowed research organization.

The Institute believes in the potential for the study of economics to improve the human condition. Its programs emphasize problems of concern to policy-makers in the United States, in other industrialized nations, and in countries with developing economies.

Although the Institute has already initiated a number of major programs, it is still in its infancy. The Institute will increase its fellowship awards and expand its programs of conferences, seminars, and other educational and policy-oriented activities in the years ahead. It will develop its publications program and explore innovative ways to make economics a more productive aid in policy deliberations.

The Institute's expansion will be carefully governed by the priorities of protecting its nonpartisanship and intellectual integrity while keeping the focus on programs that attack economic problems of concern to humankind. The Institute will strive to maintain the highest ideals of scholarship and intellectual freedom.



RESEARCH AGENDA

The Institute is interested in the same economic problems and policy questions that concern governments and voters around the world.



Hyman Minsky and James Tobin

The research agenda of The Jerome Levy Economics Institute includes inquiries into the causes and remedies for unemployment, inflation, business cycles and instability, international trade and capital flow imbalances, unsatisfactory development of non-industrial economies, maldistributions of income, and other important issues. In short, the Institute is interested in the same economic problems and policy questions that concern governments and voters around the world.

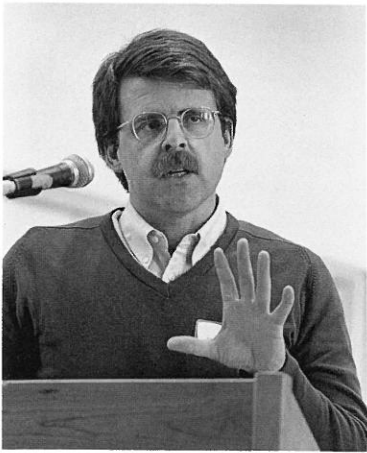
The Institute believes that many insights into the workings and malfunctions of market economies are to be gained through further study of the role of profits in economic systems. Profits (here meaning the excess of business revenues over expenses) serve as the motivation in private economies for production, employment, and investment in new plant, equipment, and research. Yet the discipline of economics still faces many critical questions about the role of profits: the nature of the relationship between profits and business investment, the determinants of aggregate profits, the interrelationships between profits and financing activity, the causes of both secular and cyclical changes in the rate of profits, the consequences of changing profits for employment and production, and numerous other issues. These fundamental questions have implications for a great variety of economic policy areas.

The Institute's belief that expanding the study of profits will lead to valuable insights into important problems is neither an ideological evaluation of profits nor an endorsement of any particular policy. Rather, it is a conviction that understanding how an economy generates and distributes profits and how these processes relate to economic performance merit increased consideration. The Institute will actively promote open debate on these issues.



PROGRAMS

*The Institute
seeks to increase
communication
between economic
scholars and leaders
in business and
government.*



Marc Jarsulic, Fellow

The Institute is committed to creating a new center for economic thought on the Bard College Campus in Annandale-on-Hudson, N.Y. To meet this commitment, the Institute has established an ongoing, resident fellowship program; it has begun hosting a variety of conferences and meetings; and it has initiated a policy of bringing increasing numbers of distinguished visitors to its research facility.

The Institute has also sponsored other types of research activities, such as workshops, which complement the fellowship program by bringing more scholars and non-academic experts to Annandale-on-Hudson. The Institute is actively investigating new ways to increase communication between economics scholars and leaders in business and government.



Executive Director Dimitri Papadimitriou

Fellowships

Fellows include both Americans and scholars from around the world. They bring to the Institute a variety of cultural experiences, professional backgrounds, and political orientations. Fellows are typically in residence for one year.

The 1988-1989 fellows are conducting research which relates to a wide range of policy issues:

Dimitrios Giannias, Ph.D.
Carnegie-Mellon University

Research topics:

- Methodology for estimation of hedonic equilibrium models
- "Quality of life" and the relationship between wages and local amenities

- Empirical relationship between product quality and price determination in the U.S. auto industry
- Monopoly regulation and the financing of centrally provided public goods
- A general equilibrium model of wage and labor differentials

Dorene Isenberg, Ph.D. University of California, Riverside

Research topics:

- Empirical analysis of the investment financing behavior of firms, its macroeconomic impact, and effect on economic growth
- Empirical evaluation of Minsky's financial fragility hypothesis, the role of external financing, and the profit-generating process of expansion

Marc Jarsulic, Ph.D. University of Pennsylvania

Research topics:

- Empirical relationship between finance and business cycles/economic crises
- Testing competing theoretical models that claim to explain this relationship

Tracy Mott, Ph.D. Stanford University

Research topics:

- Relationship between profitability and the liquidity premiums on stocks and bonds
- Effects of consumer debt on consumption
- Profitability and the relationship between money and economic activity

Jeffrey Pliskin, Ph.D. University of Michigan

Research topic:

The microeconomic effects of profit-sharing on employment and investment based on British and Canadian industrial firms

Cambridge University
Levy Travel Fellows

Chidi Achara, Christ's College
Research topic:

Historical evaluation of the concept of the business cycle and its usefulness in understanding economic growth

Sarah Mullen, Christ's College
Research topic:

Relationships between growth and free markets, liberalization of trade, export promotion, and specialization in newly industrialized countries

Yuming Sheng, Jesus College
Research topic:

Agriculture as the financing mechanism for economic development in China



Meetings

The Institute's numerous and varied meetings provide forums for both intra- and interdisciplinary discussion and debate. Economists, social scientists, business leaders, government officials, and others who can contribute to finding solutions to economic problems will all participate in Institute conferences.

The Kaldor Conference, October 29-31, 1987. The Institute's first conference was dedicated to the work of the late Nicholas Kaldor. Cosponsored by the New School for Social Research, the first two days of the event were held in New York City, and the final day was on the Bard College campus. The sessions hosted by the Institute drew a wide audience of laymen and reporters as well as economists.

Among the many distinguished individuals contributing to the success of the conference were Professors James Tobin, John Kenneth Galbraith, Franco Modigliani, Hyman Minsky, Donald Harris, Tibor Scitovsky, and Basil Moore.

Post-Doctoral Research Workshop on Profits, June 20-24, 1988. The Institute held a post-doctoral workshop encompassing a variety of issues concerning profits. Organized by Professor Duncan Foley of Barnard College, the seminar was a highly successful experiment in interparadigm analysis and critique. Economists from widely different schools of thought discussed work-in-progress. In the course of examining and critiquing research, the participants identified common ground and more clearly delineated the differences between competing schools. The attendees described the program as innovative, extremely stimulating and productive, and effective in

increasing communication among proponents of different paradigms.

Among the participants were Professors Duncan Foley, Glenn Hubbard, Gerard Dumenil, Bruce Greenwald, Herb Gintis, Roger Farmer, Willi Semmler, and Mark Gertler.

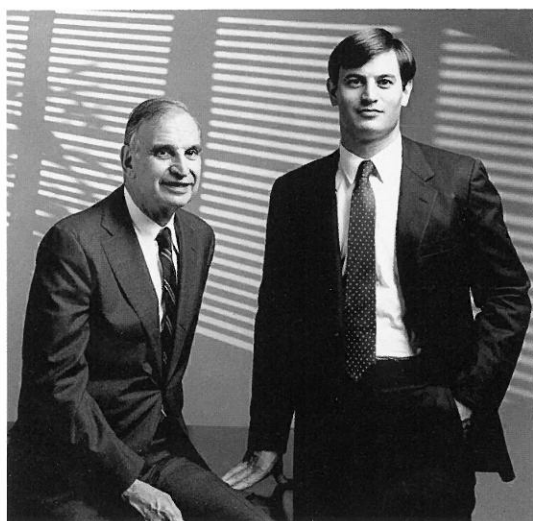
Financing Latin American Growth: Prospects for the 1990s, October 13-15, 1988. This conference will be hosted by the Institute and will have a strong emphasis on practical solutions to policy questions. Cosponsored by the National University of Mexico and Washington University in St. Louis, with partial funding from the Ford Foundation, this program will bring together some of the most respected economists in the field with household names from government and banking.

Among the scheduled participants for the Debt Crisis Conference are former Federal Reserve Chairman Paul Volcker, Senator Daniel Patrick Moynihan, Lord Harold Lever, Vice Chairman Hans Angermueller of Citibank, Professor Rudiger Dornbush, Inter-American Development Bank President Enrique Iglesias, Professor David Felix, and former World Bank Treasurer Eugene Rotberg.

Profits Conference, March 16-18, 1989. The Institute will be sole host and sponsor for a meeting of broad scope centered on profits. Announcements with further information will be forthcoming.

Among the scheduled participants are recent Nobel Laureate Robert Solow, Professors Lawrence Summers, Benjamin Friedman, Robert Eisner, A. Asimakopoulus, Charles Kindleberger, Martin Weitzman, George Feiwel, and Edward Nell.

Cambridge Conference on Consumer Credit and Related Issues, April 2-6, 1990. Among the meetings to be held during the 1989-1990 academic year will be this outstanding gathering to be cosponsored and hosted by Christ's College, Cambridge University. A highly distinguished international roster of economists, historians, and other scholars will include Professors Frank Hahn, Sir James Meade, Sir John Plumb, Benjamin Friedman, Mervyn King, and John Flemming.



Chairman S Jay Levy and Vice Chairman David A. Levy





*Blithewood's
excellent facilities
for research and
conferences
include advanced
computer equipment
as well as
library and data
resources.*

Blithewood, the home of The Jerome Levy Economics Institute, is a magnificent, turn-of-the-century mansion in the style of a Georgian manor house. It was given to the college in 1951. Situated on the beautiful Bard Campus overlooking the Hudson River, Blithewood has been restored and renovated to serve its new function by James Stewart Polshek and Partners, acclaimed for their restoration of Carnegie Hall.

Blithewood houses the resident fellowship program, an economics library, and a large variety of meeting rooms. The interior east wing of the building, originally the servants' quarters, was completely rebuilt to create modern office space and an auditorium. The grand west wing and central section were preserved and restored. Blithewood's excellent facilities for research and conferences include advanced computer equipment as well as library and data resources. Its mid-Hudson location offers easy access to New York City, Boston, and to the Albany airport.

Several rooms have been furnished according to the turn-of-the-century style under the supervision of Marvin Schwartz of the Metropolitan Museum of Art, a leading authority on American decorative arts. The mansion's beautiful grounds and vistas, including an extensive formal garden, are undergoing restoration.

JEROME LEVY
1882-1967

"If you were unemployed and were willing to work and able to work and could find no work, what would you do?"

The question was directed to William Howard Taft, candidate for the presidency.

"God knows," Taft replied, "I don't." The United States was in the midst of the economic "panic" of 1908 and the future president had just completed a campaign speech.

Jerome Levy, 26-year-old head of a small wholesale business, read about the incident in his newspaper. Levy, an erstwhile student of physics mulled over Taft's candid admission and the problem of the unemployed.

That morning Jerome Levy became an economist. He believed that a man who is willing and able to work should have an opportunity to work.

As a businessman, he understood that his own decisions to employ workers were directly dependent on the profitability of his business. He thus approached the problem of unemployment by seeking to determine the sources of profits—not just for a single firm, but for the entire economy.

Levy dedicated his spare time between 1908 and 1914 to determining the sources of profits. He arrived at an equation for the sources of profits—a version more detailed but otherwise identical to the profit identity later re-discovered by the Polish economist, Michal Kalecki, and noted by Keynes.

Jerome Levy saw the profit equation as the core of a powerful perspective on the operation of an economy, as the best way to understand the dynamics of the system. His own experience strengthened his conviction. During the next decade-and-a-half he was remarkably successful at forecasting economic conditions and managing his business accordingly. His analysis prompted him to liquidate his business and all stock market holdings in the spring of 1929.

Jerome Levy continued his studies and carried on extensive correspondence regarding economic issues with government officials and other influential individuals in the United States and abroad.

The Institute carries on in the spirit of Jerome Levy's efforts to conquer economic problems and improve the human condition.

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